

REPORT TO SUBCOUNCIL 20

17 6628225

1 ITEM NUMBER

20SUB17/10/2019

2 SUBJECT

PROPOSED LEASE OF CITY OWNED LAND, ERF 69811, PLUMSTEAD,
SITUATED AT 55 CONSTANTIA ROAD: CONSTANTIA CURTAINS

ONDERWERP

VOORGESTELDE VERHURING VAN GROND IN STADSBESIT, NAAMLIK ERF
69811, PLUMSTEAD, GELEË TE CONSTANTIAWEG 55: CONSTANTIA
CURTAINS

ISIHLOKO

ISIPHAKAMISO SENGQESHISO NGESIQEPHU SOMHLABA WESIXEKO,
OSISIZA 69811, PLUMSTEAD, SITUATED AT 55 CONSTANTIA ROAD:
KWABE-CONSTANTIA CURTAINS

K4847

K4859

PTMS NO: 130006108

File Ref No: 14/2/2/1/2/339/A00

(Category 1 and 2)

3 DELEGATED AUTHORITY

- ☒ The report is for comment by Subcouncil to the competent authority in terms of Part 24, Delegation 10(1).
- ☐ 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 comments of the Sub-council in whose area of jurisdiction the capital asset is situated.

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☐ Final decision lies with Director: Property Management.

4 EXECUTIVE SUMMARY

PURPOSE OF REPORT	Proposed lease of City Land, Erf 69811 Plumstead, situated at 55 Constantia Road, to Constantia Curtains for commercial and residential purposes			
Site extent	± 360m ²			
Submission date	5 March 2019			
Current zoning	Single Residential 1: Conventional Housing			
Current usage	Commercial and Residential			
Proposed usage	Commercial and Residential			
TOD Assessment	Cat 1 – TOD	X	Cat 1	
	N/A			
Based on the TOD (Transit Oriented Development) strategic screening of the proposed erf to be disposed of, the subject property was found to have no TOD potential (also known as Category 1 in terms of the TOD land Disposal Assessment Process) and did not meet the minimum TOD criteria due to its size, lack of consolidation potential and/or locational characteristics relevant to the City's TOD Strategic Framework.				
Internal circulation date	31 May 2019			
Internal department comments	No objections received.			
Public participation outcome summary	Advertised in the Cape Argus and Die Burger on 25 May 2018 No objections were received.			
WARD CLLR	NOTICE DATE			WARD
Elizabeth Brunette	3 June 2019			62
Viable	Yes	x	No	

Handwritten signature/initials

	<p>The subject land is considered to be viable, however it is affected by the CIP 2017-22 and the approved Public Right of Way / Road Network Plan (2017).</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 qualifies 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 your 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	Granted by Director, Property Management in terms of delegated authority prior to 5 January 2017			
Factors motivating recommendation:	<ul style="list-style-type: none"> • Council will receive a financial benefit in the form of a market related rental 			
Strategic intent	SFA 1 : The Opportunity City			
	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 Erf 69811 Plumstead, situated at 55 Constantia Road, shown hatched on the attached aerial photograph marked "**Annexure A**", in extent approximately 360m², to Constantia Curtains, be approved subject to inter alia the following conditions, that:

- a) A market rental of R 5300.00 per month, exclusive of rates and excluding VAT where applicable, be payable;
- b) The rental will escalate at 8% per annum;

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- c) The lease will endure for a period of three years;
- d) The property to be used for commercial and 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 improvements 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 erf 69811 Plumstead, geleë in Constantiaweg 55, gearseer op die aangehegte lugfoto gemerk bylae A, ongeveer 360 m² groot, aan Constantia Curtains, goedgekeur word onderworpe aan onder meer die volgende voorwaardes dat:

- a) Markverwante huurgeld van R5 300 per maand, eiendomsbelasting en BTW uitgesluit, waar van toepassing, betaalbaar is;
- b) Die huurgeld met 8% per jaar sal styg;
- c) Die huurooreenkoms vir 'n tydperk van drie jaar sal duur;
- d) Die eiendom slegs vir kommersiële en residensiële doeleindes gebruik word;
- e) Die huurbedrag alle munisipale dienste, bv. water en elektrisiteit, uitsluit;
- f) Onderworpe aan die verdere voorwaardes wat die direkteur: eiendomsbestuur ingevolge haar gedelegeerde bevoegdheid oplê;
- g) Onderworpe aan die nakoming van enige ander statutêre vereistes;
- h) Geen vergoeding betaalbaar sal wees vir enige verbeteringe aan die eiendom nie;
- i) Die huurder seker moet maak dat die nodige grondgebruikgoedkeurings vir die duur van die huurtydperk verkry is, indien van toepassing.

IZINDULULO UKUBA ZIQWALASELWE KWAYE KUVAKALISWE ULUVO LIBHUNGANA ELIFANELEKILEYO

Kundululwe ukuba makuphunyezwe ingqeshiso yesiqephu, esisiqephu sesiza-69811, esise-Plumstead, esime kwa-55 Constantia Road, esibonakaliswe ngemigca ekrweliweyo kwifoto efotwe emoyeni eqhotyoshelweyo nephawulwe **isihlomelo A**, esibukhulu bumalunga nama-360m², kwabe-Constantia Curtains, ngokuxhomekeke phakathi kwezinye izinto kule miqathango ilandelayo yokuba:

- a) Makuhlawulwe ixabiso larenti elihambelana nelemarike elingama-R5300.00 ngenyanga ngaphandle kweentlawulo zobuhlali nangaphandle kweRhafu-ntengo apho kufanelekileyo;
- b) Irenti iyakuthi inyuke nge-8% ngonyaka;
- c) Ingqeshiso iza kuhlala isithuba seminyaka emithathu;
- d) Ipropati mayisetyenziselwe imibandela yendawo yokuhlala neyorchweba kuphela;
- e) Ixabiso larenti alizibandakanyi iinkonzo zikamasipala ezifana namanzi nombane;
- f) Ngokuxhomekeke kweminye imiqathango eyongeziweyo eyakuthi inyanzeliswe 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.

6 DISCUSSION/CONTENTS

6.1 BACKGROUND:

The City of Cape Town's Property Management Department received an application on 5 March 2019 to lease the subject property being Erf 69811, 55 Constantia Road, Plumstead. Constantia Curtains is the proposed applicant and intends to use the property for commercial purposes for the sale of linen and furniture.

Parts of this property have been damaged by a fire, but the applicant has motivated sufficiently that they have the support and resources to upgrade, improve and secure the property. The applicant intends to

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remedy the situation and invest in the region of R320 000 to reinstate the property to its former state for the commercial usage intended. Electrical works; demolishing; rebuilding of walls; plumbing and plastering, are only some of the maintenance required to rehabilitate the damaged property and the applicant will take full responsibility of these tasks. A break-down of maintenance work required has been indicated in a report drafted by the applicant, along with the estimate quotations and time frames.

A care-taker will reside on the property in order to facilitate the security of the premises. The property will not be utilised as a residential unit.

In terms of contract compliance, the City's Property Management Department initiated the valuation process and a rental review was performed in order to implement a new market rental. The applicant was notified accordingly of the new rental, which they have accepted and they have expressed their wishes to enter into a new agreement with the City in order to occupy this property. The proposed lease will also alleviate the City from security costs and a financial benefit in the form of a market related rental will be generated monthly.

The applicant meets the minimum requirements and is 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 City's Transport and Urban Development Authority Department was consulted and have no objection to the lease, with no further conditions to be imposed attached to report as **Annexure B**

6.3 VALUATION

The City's Professional Valuers on 31 May 2019 assessed the rental value of the subject property at R 5300.00 per month, escalating at 8% per annum. The valuation synopsis is attached to the report as **Annexure C**.

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 relating to the Management of certain of the City of Cape Town's Immovable Property (approved 26 August 2010), permits the leasing of immovable property.

6.5 FINANCIAL IMPLICATIONS

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

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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 who's 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 D**.

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 Yes ☐

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.

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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 R5300.00 per month, escalating at 8% per annum.

Management of Risk

No operational or control risk to the City.

Stakeholder comments and recommendations

The Director: Property 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 comments or objections were 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 not exceeding 3 years (Non-Significant Property Right). National and Provincial Treasury have been notified. No comments or objections were 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

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 IMPLICATION

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

No ☒

Yes ☐

ANNEXURES

Annexure A: Aerial photograph
Annexure B: TDA comment
Annexure C: Valuation synopsis
Annexure D: Tax Clearance certificate

Handwritten initials

FOR FURTHER DETAILS CONTACT:

NAME	MARNE NOVEMBER
CONTACT NUMBERS	021 400 4168
E-MAIL ADDRESS	MARNE.NOVEMBER@CAPETOWN.GOV.ZA
DIRECTORATE	ECONOMIC OPPORTUNITIES & ASSET MANAGEMENT
FILE REF NO	14/2/21/2/339/A00
MANAGER: PROPERTY HOLDING RACHEL SCHNACKENBERG	<i>Schnackenberg</i> 01-08-2019

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

NAME RUBY GELDERBLOEM

DATE 2019-08-16

Comment:

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

☐ NON-COMPLIANT

LEGAL COMPLIANCE

NAME Joan-Mari Holt

TEL 021 400 2753

DATE 29/08/2019

Comment:

Certified as legally compliant:
Based on the contents of the report.

COMMENT



RICHARD WHITE
SUBCOUNCIL MANAGER

Tel No. 021 444 8112

DATE: 11/9/19

ANNEXURE A: AERIAL PHOTOGRAPH



 <p>CITYMAP VIEWER Aerial Photography Map Data © 2014 City of Johannesburg Municipality of Johannesburg</p>	<p>THIS MAP WAS COMPILED BY CityMap Viewer Development Information & GIS Contact Information: Tel: 011 301 2111 Fax: 011 301 2111 Email: info@citymapviewer.co.za Date: 27/10/2014</p>	<p>Site Location - Erf 69811 Plumstead</p>	 <p>1:500 This map is a reproduction of the original map and is not to be used for any other purpose without the written consent of the City of Johannesburg.</p>
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Proposed lease of portion of City Land, being portion of Erf 69811, Plumstead: Constantia Curtains

ANNEXURE B: TDA COMMENT

Marne November

From: Glenwin Sampson
Sent: 15 March 2019 02:45 PM
To: Chad Luke Jacobs
Subject: RE: Request for comment: Proposed lease of Erf 69811, Cape town
Attachments: Erf 69811 Constantia Rd Cape Town (Google Earth).JPG

To Property Management:

With reference to the CTP 2017-22 and the approved Public Right of Way / Road Network Plan (2017), The Conceptual Design & Planning Branch has no objection to the lease of Erf 69811, Constantia Road on condition that a 6 month cancellation clause are included in the lease agreement as this property is affected by the Constantia Road Scheme.

Regards,

Glenwin Sampson

a.b.o. Johan G Meyer Pr Eng.

Principal Engineer: Planning & Conceptual Design
18th Floor, Civic Centre
12 Hertzog Boulevard

Tel : 021 400 3851

E-mail : Johan.G.Meyer@Capetown.gov.za



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ANNEXURE C: VALUATION SYNOPSIS



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ECONOMIC OPPORTUNITIES AND ASSET MANAGEMENT
PROPERTY MANAGEMENT

Aneesah Abrahams
Professional Valuer

T: 021 400 2301 F: 086 202 9562
E: Aneesah.abrahams@capetown.gov.za
Ref: Job 7573 Your Ref: Case ID 130006106

DATE	2019-04-09
To	Head: Improved Properties
ATTENTION	Isaac Martin

VALUATION REPORT

MARKET VALUATION OF ERF 69811 CAPE TOWN SITUATED AT 55 CONSTANTIA ROAD, PLUMSTEAD

1. Brief and background

We were requested to provide a market rental of Erf 69811 Cape Town at 55 Constantia Road, Plumstead (hereafter 'the subject property') in its current state i.e. land only as improvements have been destroyed/damaged by a fire.

There has been an application to lease the property voetstoots. It is the intention of the proposed applicant to remedy the situation and to invest in the region of R320 000 to reinstate the property to its current state for commercial usage.



2. Date of Valuation

2019-05-31

3. Date of Inspection

2019-04-09

4. Caveats







The reader should note the following:

- (i) The valuation is for internal requirements only and must not be made available to the public/applicant without prior written consent from the Head: Market Valuations.
- (ii) All values in this report exclude VAT.
- (iii) This report has been prepared in conformity with recognized standard procedure regarding the lease of City property.

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Proposed lease of portion of City Land, being portion of Erf 69811, Plumstead: Constantia Curtains

Description	Portion of Erf 69811 Cape Town
Address	55 Constantia Road, Plumstead
Site extent	360m ²
Dwelling extent	98m ² (including porch)
Status	Vacant
GV 2018 and rates	R1 360 000 with rates amounting to R490 per month
Proposed Usage	Residential-single storey dwelling, but intended for commercial purposes.

ბილეთის მფლობელის სახელი:

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Proposed lease of portion of City Land, being portion of Erf 69811, Plumstead: Constantia Curtains

Taking cognizance of the above, the rental is calculated as follows:

$R800\,000 \times 8\% \text{ return} = R5\,300 \text{ per month.}$

Recommendation

- (i) That a rental of R5 300 per month, exclusive of rates is recommended, escalating at 8% per annum for a period of three years. The rental is exclusive of all municipal services i.e. water and electricity.
- (ii) The rental to escalate at 8% per annum and is to be adjusted as from 2019-07-01.
- (iii) The above rental assumes that the Lessee is responsible for all maintenance & repairs of the premises.
- (iv) The lease agreement is to stipulate an agreed amount which will be spent over the 3-year lease period.
- (v) It would be in the City's interest and strongly advisable that a proposed schedule of repairs and maintenance be attached to the lease agreement so that due diligence checks can be timeously undertaken.
- (vi) After the expiry of the lease i.e. after 3 years, the rental will be assessed on the basis of land and buildings.

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Paul Pendlebury
Head, Market Valuations

Date: 2019-05-10

ANNEXURE D: TAX CLEARANCE



Tax Clearance Certificate Number:
070012/2019/A003040801

Tax Clearance Certificate - Good Standing

Enquiries
0800 60 SARS (7277)
Approved Date
2019-05-23
Expiry Date
2020-05-23

Company registration number 2010/064972/23

Income Tax 9692661151
CONSTANTIA CURTAINS CC

VAT 4820259168
CONSTANTIA CURTAINS CC

PAYE 7660778879
CONSTANTIA CURTAINS CC

Trading Name CONSTANTIA CURTAINS

It is hereby confirmed that, on the basis of the information at the disposal of the South African Revenue Service (SARS), the above-mentioned taxpayer has complied with the requirements as set out in the Tax Administration Act.

This certificate is valid until the expiry date reflected above, subject to the taxpayer's continued tax compliance. To verify the validity of this certificate, contact SARS through any of the following channels:

- via eFiling
- by calling the SARS Contact Centre
- at your nearest SARS branch

This certificate is issued in respect of the taxpayer's tax compliance status only, and does not address any other aspect of the taxpayer's affairs.

This certificate is issued free of charge by SARS

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Proposed lease of portion of City Land, being portion of Erf 69811, Plumstead: Constantia Curtains