

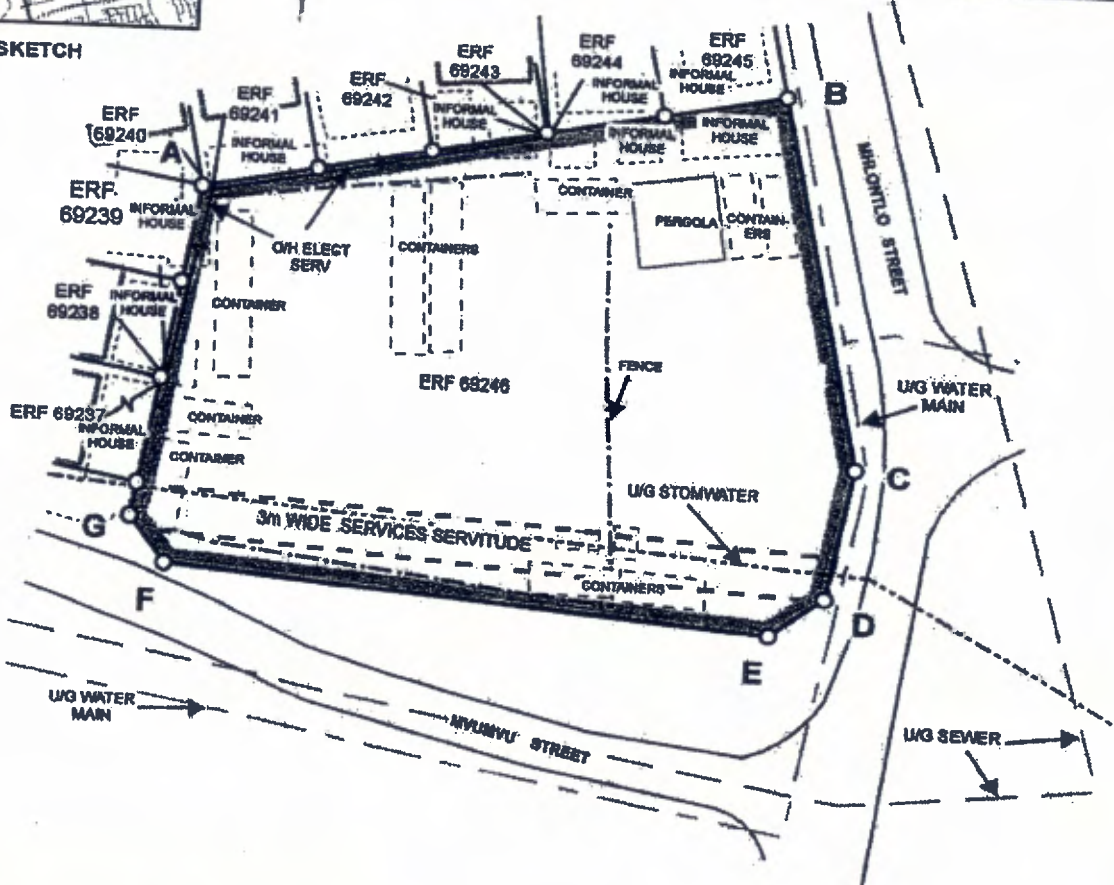
CITY OF CAPE TOWN

ANNEXURE TO ITEM C 13/04/16

BC	26.37
CD	9.16
DE	4.46
EF	42.55
FG	4.02
GA	23.62



LOCALITY SKETCH



SCALE 1:500

DISPOSAL OF CITY LAND - ERF 69246 KHAYELITSHA - CORNER OF MVUMVU AND MHLONTLO STREET - KHAYELITSHA

FIGURE	ERF NO	AREA m ²	ZONING (CORPORATE ISIS)	D/T & DATE	OWNERSHIP
ABCDEFG (Bordered Grey)	Erf 69246 Khayelitsha	1475	Community 2 : Regional	T16755 dated 2013/04/12	City of Cape Town

Note: A 3m wide Services Servitude need to be registered Erf 69246 Khayelitsha.

WARD 93 SUBCOUNCIL 10



REFER TO	GP926/2008; JOB 5259	 20 October 2015 CIVIC CENTRE	Page 1 of 2	
CASE NO.			SURVEYOR	
SOURCE	CORP ISIS		GIS OPERATOR	L BRANDT (2015/10/07)
FILE/REC.	HO14/3/4/3/1047/A37 (41341)		CHECKED	<i>AKelland</i>
MEMO			LIS 1415v0	



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Finance
PROPERTY MANAGEMENT
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Ref: Job 4571 Your Ref: 14/3/4/3/1147/A37

Desktop valuation report

1. Brief:	We were instructed to do a desktop valuation of (unregistered) Erf 69246 Nonqubela Khayelitsha (hereafter 'the subject property') for possible disposal by public tender.
2. Valuation date:	2015-09-30
3. Inspection date	2015-09-23
4. Description of subject property: - Legal description - Title deed no. - Registered owner - Land extent (m ²) - Purchase date - Purchase price - Address - Zoning - Municipal valuation - Improvements - Other	Erf 69246 Khayelitsha unknown unknown 1 474m ² unknown unknown c/o Mvumvu Street and Mhlontlo Street, Nonqubela Community Zone 2 (CO2) unknown No permanent improvements, but various informal structures/metal containers present. This site must be retained as CO2 property as per Spatial Planning and Urban Design's request.
5. Photos:	 
6. Caveats	<p>The reader should note the following caveats and/or limiting conditions:</p> <p>(i) This report is for internal requirements only and must not be made available to the applicant/public without prior written consent from the Head: Market Valuations.</p> <p>(ii) All amounts in this report are exclusive of VAT or transfer duty.</p> <p>(iii) This report has been prepared in conformity with recognized standard procedure regarding the disposal of City land</p> <p>(iv) As this is a desktop valuation we did not undertake a detailed study of the title deeds and the like, and hence we reserve the right to adjust our valuation upon conducting a full valuation in future.</p>
7. Approach to valuation:	<p>We estimated the <i>market value</i>, which the International Valuation Council (IVC) defines as:</p> <p><i>"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"</i></p> <p>Implicit in market value is the notion of highest and best use, which the IVC defines as:</p> <p><i>"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."</i></p>
8. Valuation method:	<p>We used the <u>comparable sales method</u> in terms of which the market value of the subject property is derived from comparable sales transactions in the same or similar submarkets; of course, adjustments need to be made to take account of differences between the value-contributing attributes of the subject property and the comparable sales transactions.</p>

9. Highest and best use: The property is located in a single residential node and, despite its zoning, we deem its highest and best use to be for residential use.

10. Findings:

10.1. Comparable sales evidence: single residential stands

1	Erf 20996 Khayelitsha 6 Matthew Goniwe Str (T2V3), Mandela Park	217m ²	2011-07	R 50 000	R 230	SR1	Similar submarket.
2	Erf 20673 Khayelitsha 6 Mxolisi Petani (T2V3) Str, Mandela Park	150m ²	2011-04	R 60 000	R 400	SR1	Similar submarket.
3	Erf 20986 Khayelitsha 25 Tambo (T2V3) Rd, Mandela Park	164m ²	2012-04	R 55 000	R 335	SR1	Similar submarket.
4	Erf 21828 Khayelitsha 21 Winnie Mandela Cr, Mandela Park	127m ²	2012-05	R 50 000	R 394	SR1	Similar submarket.
5	Erf 21986 Khayelitsha 61 Govan Mbeki (T2V3) Rd, Mandela Park	140m ²	2013-08	R 70 000	R 500	SR1	Similar submarket.

10.2. Comparable sales evidence: low-cost housing development land

1	Erf 5540, Strand	90 603m ²	2013-05-01	R 6 500 000	R 72	Agri	Much bigger than subject property.
2	Erf 2843, Hout Bay	72 935m ²	2012-03-01	R 5 007 540	R 69	CO1	Much bigger than subject property.
3	Erf 27265, Kraaifontein (Wallacedene)	20 326m ²	2012-05-01	R 1 325 000	R 65	CO1	Much bigger than subject property.

10.2. Other information

New residential developments in low-income areas/townships are typically driven by government rather than the private sector and initial sales prices are also typically subsidised. Due to financial constraints and a lack of market knowledge on the side of buyers, the secondary housing market is also generally thin. This inefficient character of such markets results in widely varying sales prices and hence it is difficult to make general inferences with regard to market value.

(i)

As noted in (i), sale's prices generally vary significantly, even within the same sub-markets of Khayelitsha. Notwithstanding this, from sales currently advertised on the internet and actual sales data, properties with 2-3 bed roomed houses could fetch in the order of, say, R200 000 to R350 000 (and sometimes even much higher).

(ii)

Stands in Khayelitsha generally range from around 100m² to 350m² in land extent, with the most recently developed stands seemingly being on the lower end of the range. Secondary sales of stands are generally quite scarce, but as the actual sales information in 10.1 shows, in Mandela Park – and in most other sub-markets of Khayelitsha in our view – stands' values are generally in the order of R50 000 - R60 000, irrespective of size. To put this in perspective, the reader should note that it currently costs in the order of about R75 000 to service a stand in a new township development; the latter figure excludes the land's value and overhead costs, which, given the sale's prices of stands shows why profit-driven developers generally do not operate in this market.

(iii)

The above suggests to us that, given the extent of the subject property, the most likely buyer would probably be a non-profit entity (possibly a government body, an NGO, or a church perhaps).

(iv)

Given the larger-than-normal extent of the subject property we also considered what the City typically pays for low-cost/subsidised housing land. From 10.2 it will be noted that the City would typically buy/sell such land at around, say, R70/m². In contrast to the subject property, the latter figure represents much larger, unserviced stands.

(v)

From the residential stand sales and the development land sales we deduce that the market value (vi) of the subject property is probably somewhere between, say, R70/m² - R200/m², but, in our view, leaning much more towards the lower end of the scale.

11. Conclusion:

(i) Market value R 150 000 or R 102 /m² (both figures exclude VAT)

(ii) Restricted use value
In terms of City's 'Policy on the Management of Council's Immovable Property':
"Immovable property may be alienated to social care users, the purchase price payable shall, unless otherwise directed by Council, be fixed at between 10% and 25% of market value subject to a suitable reversionary clause being registered against the Title Deed of the property."
In view of the aforesaid it is recommended that the price be set at 25% of market value, subject to a suitable reversionary clause being imposed, i.e.:
25% x R 150 000 = R 37 500 (excluding VAT)

The Subcouncil at its meeting of 18/01/2016 resolved as follows:

10SUB 13/1/2016

Report Subject	PROPOSED GRANTING OF IN-PRINCIPLE APPROVAL FOR THE SALE BY PUBLIC COMPETITION OF VACANT ERF 69246, CORNER OF MVUMVU AND MHLONTLO STREETS, KHAYELITSHA FOR COMMUNITY PRUPOSES
Date Sent	27/01/2016
Directorates	FINANCE
Author	Angelene Kellard
Author Contact No	0214001076
Delegation Information	12(1)
Agenda Item No	10SUB 13/1/2016
Preamble	
Resolution	Noted
Resolution Details	<p>It was resolved that the Subcouncil NOTE and SUPPORT the recommendations as listed that: a) In terms of sections 14(2)(a) and (b) of the Municipal Finance Management Act (MFMA), Act 56 of 2003: i) Council resolve that erf 69246, Corner of Mvumvu and Mhlontlo Streets, Khayelitsha, 1 475m², as shown lettered ABCDEFG (annexure A), not be required for the provision of the minimum level of basic municipal services; ii) Council confirm that the fair market-value of the assets described in (a)(i) and the economic and community value to be received in exchange for the assets described in (a)(i) have been considered b) In terms of Regulations 5(1)(b) of the Municipal Assets Transfer Regulations (MATR), R.878 promulgated on 22 August 2008, Council approve in principle the disposal of erf 69246, Corner of Mvumvu and Mhlontlo Streets, Khayelitsha, as described in (a)(i); c) Erf 69246, Corner of Mvumvu and Mhlontlo Streets, Khayelitsha, be disposed of by public competition, subject to conditions to be imposed by the Director: Property management in the exercise of her delegated authority; d) Council confirm that when considering the disposal of the property at less than market value as provided for in terms of clause 15.3 of Council's Policy on the Management of Certain of the City of Cape Town's Immovable Property, the contents of Regulation 13(2) of the MATR have been duly taken into account. e) Any gain or loss incurred by the municipality in respect of the transfer of the assets be included in the adjustment budget of the municipality (sections 28 and 87 of the MSMA), if not budgeted for in the approved annual budget. Cllr Mofoko MOVER and Cllr Komeni SECONDER ACTION: ANGELENE KELLARD; B MAKHULENI</p>
How Resolved	Consensus